SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 1745 Thereunder

REPORT FOR THE PERIOD BEGINNING	MUARY 1, 2001	_ AND ENDING DEC	EMBER 31, 2001	
	MM/DD/YY		MM/DD/YY	
A. REGI	STRANT IDENTIFI	CATION		
NAME OF BROKER-DEALER:		r	OFFICIAL HOP ONLY	
HERBERT YOUNG SECURITIES, INC.		-	OFFICIAL USE ONLY	
•		FIRM ID. NO.		
ADDRESS OF PRINCIPAL PLACE OF BUSIN	ESS: (Do not use P.O.)	Box No.)		
98 CUTTERMILL ROAD				
.	(No. and Street)			
GREAT NECK,	NEW YORK		11021	
- (Giy)	(Sime)		(Zip Code)	
NAME AND TELEPHONE NUMBER OF PER	SON TO CONTACT IN	REGARD TO THIS R	EPORT	
HERBERT D. LEVINE, President	•	(516	3) 487-8300	
•		{Area	Code — Telephone No.)	
B. ACCO	UNTANT IDENTIF	ICATION		
INDEPENDENT PUBLIC ACCOUNTANT who	se opinion is contained i	n this Report*		
LERNER & SIPKIN, CPAs, LLP				
(Name -	- if individual, stare less, first, mid	die namej		
132 Nassau Street, Suite 1023,	New York,	NY	10038	
(Address)	(City)	(State)	Zip Code)	
CHECK ONE:	•		PROCESSE	
☑ Certified Public Accountant		•	2003	
☐ Public Accountant			MAR 2 9 2002	
☐ Accountant not resident in United St	ates or any of its possess	sions.	THOMSON	
	FOR OFFICIAL USE ONLY		FINANCIAL	
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

I, HERBERT D. LEVINE, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of HERBERT YOUNG SECURITIES, INC., as of DECEMBER 31, 2001,

are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

		NONE
· · · · · · · · · · · · · · · · · · ·		·
		x Hatal Dhame Signature
	,	Title
x	Notary Public	NOTARY PERMIT STATE Of New York PERMIT STATES OF New York Park Carlos Of New York

This report** contains (check all applicable boxes):

- (x) (a) Facing page.
- (x) (b) Statement of Financial Condition.
- (x) (c) Statement of Income (Loss).
- (x) (d) Statement of Cash Flows.
- (x) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (x) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (x) (g) Computation of Net Capital.
- () (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- () (i) Information Relating to the Possession or Control requirements under rule 15c3-3.
- () (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the reserve requirements Under Exhibit A of Rule 15c3-3.
- () (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (x) (1) An Oath or Affirmation.
- () (m) A copy of the SIPC Supplemental Report.
- () (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (x) (o) Independent Auditors' Report.

^{**} For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

I, HERBERT D. LEVINE, swear that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedule(s) pertaining to the Firm of HERBERT YOUNG SECURITIES, INC., as of DECEMBER 31, 2001, are true and correct. I further swear that neither the Company nor any partner, proprietor, principal officer, director or member has any proprietary interest in any account classified solely as that of customer, except as follows:

No Exceptions

(Signature)

(President)

NOTARY PUBLIC, State of New York
Not 41-4799768
Qualified in Wat County

(Notary Public)

HERBERT YOUNG SECURITIES, INC. STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001

A	SS	SE	T	S

Cash and cash equivalents	\$ 962
Securities owned - at market value (Note 3)	82,446
Non-marketable investments - at cost	9,400
Fixed assets - net of accumulated depreciation of \$26,132 (Note 2d)	9,434
Receivables due from related party (Note 5)	722,998
Total assets	\$ 825,240
LIABILITIES AND CAPITAL	
Liabilities:	
Accounts payable and accrued expenses	\$ 13,947
Due to clearing broker	17,402
Obligations under capitalized lease (Note 4)	6,916
Due to related party	7,009
Total liabilities	45,274
Liabilities subordinated to the claims of general creditors	
Pursuant to subordinated loan agreement (Note 7)	75,000
Stockholder's equity (Note 10)	
Common stock, no par value, 200 shares	
authorized, 60 shares issued and outstanding	6,000
Additional paid-in capital	843,010
Retained (deficit)	(144,044)
Total stockholder's equity	704,966
Total liabilities and stockholder's equity	\$ 825,240

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

Note 1 - Nature of Business

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Herbert Young Securities, Inc. (The "Company") is a broker/dealer in securities registered with the Securities and Exchange Commission.

The "Company" operates under the provisions of Paragraph (k) (2) (ii) of Rule 15c3-3 of the Securities Exchange Commission, and accordingly is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k) (2) (ii) provide that the Company clears all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmits all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

Note 2 - Summary of Significant Accounting Policies

a) Revenue Recognition

Securities transactions (and the recognition of related income and expenses) are recorded on a trade date basis.

The \$35,000 of consulting and advisory fee income was collected under an agreement which expired July 31, 2001.

b) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers money market funds maintained with banks and brokers to be cash and cash equivalents.

c) Income Taxes

The Company accounts for income taxes under SFAS No. 109, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

d) Fixed Assets

Equipment is carried at cost and is depreciated over a useful life of five years using the straight-line method.

e) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2001

Note 3 - Securities Owned - At Market Value

Securities owned, at quoted market values, are summarized as follows:

Owned \$82,446

Common Stock

Note 4 - Obligations Under Capitalized Lease

The Company has a liability, under a capital lease purchase of a telephone system of \$6,916 payable in monthly installments of \$263, which includes interest at 18.50%.

Note 5 - Related Party Transactions

A receivable from related parties of \$722,998 at December 31, 2001 is due from a company under common control of the Company's stockholder. The receivable, which arose from working capital loans and administrative fees charged, bears interest at 8% per annum. In 2001, \$30,000 of such administrative fees and \$52,448 of interest income are included in the Company's revenues.

During 2001, amounts were loaned to the Company by the president/stockholder of the Company. The loans bear interest at 8% per annum and are payable upon demand. The net balance due to the president/stockholder, at December 31, 2001, was \$7,009, which includes accrued unpaid interest of \$1,143.

The Company received \$20,525 of commission income from a client who is under common control of the Company's president/stockholder.

Note 6 - Commitments

The Company leases office space pursuant to an operating lease expiring October 31, 2003. The future minimum rental commitment through termination is:

Year	<u>Amount</u>
2002	\$39,000
2003	\$32,500

Note 7 - Liabilities Subordinated to the Claims of General Creditors

The subordinated borrowings due to the president/stockholder of the Company are covered by agreements approved by the National Association of Securities Dealers, Inc. (NASD) and are thus available in computing net capital under the Securities and Exchange Commission's Uniform Net Capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. The borrowings, under subordination agreements, as of December 31, 2001, are as follows: In 2001, \$4,561 of interest on these borrowings was paid to the president/stockholder of the Company.

NOTES TO FINANCIAL STATEMENTS **DECEMBER 31, 2001**

Note 7 -Liabilities Subordinated to the Claims of General Creditors (continued)

Subordinated loan; due September 30, 2003 (8% interest) Subordinated loan; due February 28, 2003 (10% interest)

\$ 50,000 25,000

Note 8 -Income Taxes

At December 31, 2001, the Company had a net operating loss carryforward of approximately \$375,000 for income tax purposes. This carryforward will expire from 2007 to 2014. Since it is doubtful that such carryforward will be utilized in the near term, a valuation allowance of \$112,500 has been established to offset the deferred tax asset arising from this carryforward. Therefore, no deferred tax assets have been recorded on the accompanying statement of financial condition.

Note 9 -Financial Instruments with Off-Balance Sheet Credit Risk

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company introduces these transactions for clearance to another broker-dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing broker's internal guidelines. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, and requiring customers to deposit additional collateral, or reduce positions, when necessary.

Note 10 -Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At December 31, 2001, the Company's net capital of \$17,203, was \$12,203 in excess of its required net capital of \$5,000. The Company's capital ratio was 222.97%.

A copy of the Company's Statement of Financial Condition as of December 31, 2001, pursuant to SEC Rule 17a-5 is available for examination at the Company's office and at the regional office of the Securities and Exchange Commission.



132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074

B-mail: LS@lernersipkin.com

INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of Herbert Young Securities, Inc. 98 Cuttermill Road Great Neck, N.Y. 11021

Gentlemen:

We have audited the accompanying statement of financial condition of Herbert Young Securities, Inc. as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Herbert Young Securities, Inc. as of December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Lerner & Sipkin, CPAs, LLP Certified Public Accountants (NY)

New York, NY February 13, 2002

HERBERT YOUNG SECURITIES, INC. INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL

FOR THE YEAR ENDED DECEMBER 31, 2001





132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074
E-mail: LS@lernersiptin.com

To the Officers and Directors of Herbert Young Securities, Inc. 98 Cuttermill Road Great Neck, NY 11021

Gentlemen:

In planning and performing our audit of the financial statements of Herbert Young Securities, Inc. for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5 (g) (1) and (2) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by Herbert Young Securities, Inc. that we considered relevant to the objectives stated in Rule 17a-5 (g), (1) in making periodic computations of aggregate indebtedness and net capital under Rule 17a-3 (a) (II); (2) in complying with the exemptive provisions of Rule 15c-3-3. We did not review the practices and procedures followed by the Company (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for determining compliance with the exemption provisions of Rule 15c3-3, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report recognizes that it is not practical in an organization the size of Herbert Young Securities, Inc. to achieve all the divisions of duties and cross checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Further, that no material differences existed between our computations of your net capital, or determination of the reserve requirements and your corresponding focus report part II A filing.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies, which rely on Rule 17a-5 (g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Respectfully submitted,

Lerner & Sipkin, CPAs, LLP

Certified Public Accountants (NY)

New York, NY February 13, 2002